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DM&E Announces Merger With Canadian Pacific Railway *Advances the Powder River Basin Project*

Sioux Falls, SD – The Dakota, Minnesota & Eastern Railroad (DM&E) today announced it has entered into an agreement that will result in a merger of its operations with Canadian Pacific Railway Limited (CP). The announcement follows DM&E's competitive process to find the best approach to advance the PRB project. **DM&E will hold a press conference explaining the agreement tomorrow, Wednesday, September 5, at 10:00 am CDT in the Holiday Inn City Centre (Burgundy Room) at 8th Street & Phillips Ave in Sioux Falls, SD.**

Many options from outright sale of assets to more limited partnering arrangements were received and studied, but after considering all the proposals DM&E has determined that this sale and merger transaction with CP, as negotiated, is the best approach to continue the dramatic growth of the existing railroad business, and pursue the final construction phase of DM&E's PRB project.

"We were pleased with the tremendous interest in our railroad and our PRB project that was demonstrated by this process," said DM&E President and CEO Kevin V. Schieffer. "We think the agreement ultimately reached with CP is the best for all our stakeholders, which include current DM&E shareholders, employees, customers and the communities we serve, and the many groups and consumers waiting for the benefits that can be realized by the PRB project. CP has demonstrated the strongest interest in the PRB Project and the ongoing rail operations, but also to the various stakeholders who have been so important to DM&E's tremendous success. Of all the candidates, we chose CP in large part because of its demonstrated knowledge and shared vision in our PRB project, and commitment to employee, customer and community issues. This is a good deal for all involved."

The merger will result in DM&E and its affiliated companies, including the Iowa, Chicago & Eastern Railroad (IC&E), becoming part of the overall CP rail network upon final regulatory approval (see attached map). The merger is subject to final Surface Transportation Board approval, following the closing of the transaction, which is expected within the next 30 to 60 days. Contingent upon receipt of regulatory approvals thereafter, the companies are expected to operate under common control of CP. Schieffer noted that the transaction enjoys broad support from communities, agriculture organizations and shippers who have been consulted during the course of negotiations relating to the transaction.

Lisa Richardson, Executive Director of the South Dakota Corn Growers Association said, "The DM&E merger with CP is exciting news for South Dakota agriculture. It increases the chances for successful completion of DM&E's PRB project, which for South Dakota is the equivalent of

someone building a tailored Interstate Highway system to move our product – except it can do it more safely and efficiently. This is especially critical to ethanol development in our state. When DM&E first announced its PRB plans, we were moving 0.035 billion gallons of ethanol in SD. In 2008 we will surpass 1 billion gallons. We are elated with the CP-DM&E merger. Nationally, there is a huge demand for more ethanol but there aren't enough rails to move it and there have been no major upgrades to the system. The DM&E-CP deal makes that much more likely, and we couldn't be happier."

DM&E customer Randy Rieke, General Manager of Farmers Coop in Hanska and New Ulm, MN noted that "the combined and extended rail system provided by DM&E and CP will create new opportunities and extend market reach for many shippers. We are pleased with this transaction and are hopeful it will come to a prompt and successful closure." Rieke, who also serves as Secretary-Treasurer of Minnesota's Southern Grainbelt Shippers Association, said he is "pleased to know of CP's interest in pursuing the PRB project. This is what really makes this exciting for us. We commend DM&E for their persistence and dedication. It is a great day for agriculture and energy consumers throughout the upper Midwest. The energy impact of this project is about more than coal. Ethanol is a big part of our energy future and the DM&E is critical to making it happen."

"This is exciting news for the vast majority of communities up and down the DM&E line who support the PRB project and have worked so hard for it to become a reality," said Mayor David McGirr of Huron, SD. "We all recognize there are no guarantees in life, but the teaming up of CP and DM&E certainly helps increase the chances for success. This is good news for us, and should provide much needed economic development opportunities for the many communities served by DM&E. We congratulate DM&E and CP, and look forward the next stage of the implementation of the PRB project," McGirr added.

Schieffer thanked the current DM&E shareholders who invested in the company over the past 21 years. "They have been good stewards of this property. Without their willingness to take a risk, belief in us and ongoing commitment, many small communities would have lost rail service years ago. Employees would have lost jobs and customers would have gone out of business. This is a good deal for them as well, and provides a well-deserved return on investment. It also provides a partnership structure that gives them ongoing interest in the success of the PRB project."

Schieffer added that while he is convinced the merger with CP will result in the best chance of successful completion of the PRB, there are no guarantees. "It will depend on market demand, construction costs, and all the factors that we have always faced. But based on my experience with CP through the years, and especially these past months, I feel very good about where we stand today." DM&E is one of the most successful regional railroads in the United States, following exceptionally strong development and operational advances over the years. Formed in 1986 out of a line that its previous owner attempted to abandon, DM&E has experienced remarkable growth and improvements in traffic, safety, and operations. 1987 total revenues were approximately \$22 million. That figure is expected to be approximately \$290 million in 2007, growing to approximately \$340 million in 2008. Approximately 20 new customers or major expansions are expected to be completed in 2007 and 2008, with continued strong growth in the long range forecast.

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